U.S. Department of Education

Student Financial Assistance (SFA*)*

Modernization Blueprint

Progress Update

DRAFT As of February 28, 2002

Fiscal Year 2002

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Student Financial Assistance
Chief Operating Officer
U.S. Department of Education
Washington, DC 20202

Spring 2002

Dear Colleagues,

This 4th edition of the SFA Modernization Blueprint marks our 3rd anniversary operating as a Performance Based Organization (PBO) and highlights our progress toward transforming SFA. We've accomplished a lot in the past few years and can see the finish line to our first phase of Modernization. We are also looking ahead to our next stage of Modernization. Our efforts will concentrate on laying the groundwork for the virtualization of SFA by enabling our customers to interact with us completely electronically. To enable this process, we've begun to "evergreen" our technology through the implementation of a common, reusable, and standardized technical architecture and suite of software tools. We will also concentrate on helping to change the behavior of our customers from one that expects and relies on paper-based manual processes to support the delivery of financial aid, to one that expects and utilizes electronic, self-service and customer-centric tools to apply, receive, and repay financial aid.

Our goals are clear. We want to "Help Put America Through School" with simple, cost-effective, and easily accessible tools and processes. Our focus is clear. To provide our core customers – our students – with the tools they need to make the right choices when it comes to seeking out financial aid. Our progress is clear. We're making it possible for our customers to interact with us using industry recognized tools and best practices that help us reduce our unit costs and increase our employee and customer satisfaction.

We are transforming SFA into a performance-based organization that is "easy to do business with."

Thank you for your support,

Greg Woods
Chief Operating Officer
Department of Education – Student Financial Assistance

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Student Financial Assistance
Chief Information Officer
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Moving to the Next Phase of Modernization - Building on Success…

We Can See the Finish Line

We've made some great strides in our Modernization effort. We've built on the successes of the past two years and we're setting the stage to move into phase two of modernization. We've concentrated our efforts on key initiatives that have helped us continue to transform SFA into a performance-based organization (PBO) focused on its customers, committed to its employees, determined to reduce its overall unit costs and improve the integrity of our programs and finances.

This is an important year in our modernization effort. We're halfway through the first phase of our modernization effort. As we look towards the second phase of our effort, our goals become clearer. We're moving towards the virtualization of our business and our supply chain, evergreening our technology to make it a core part of our operations, and fostering customer acceptance of our new business practices.

One of the key challenges mandated by our PBO transformation is to integrate our disparate and often redundant systems. In order to meet this challenge, we had to first figure out what it truly means to untangle the old "hairball" of systems that were built up over the course of the past 30 years.

Our Modernization Integration Master Plan lays out our business capabilities and initiatives and provides an overall framework to keep us on track toward achieving our modernization goals. Our 2002 Target and 2004 Vision clearly outline our application architecture that help us deliver the core capabilities needed to achieve our mission: We Help Put America Through School.

As you read through this document, you will come across a number of stories, which help to tell the tale of our modernization. We're moving from paper to electrons, making our systems more accessible, providing consistent answers and consistent data, and we're building in the fiscal integrity that will help us safeguard both the public's money and their trust.

We're also focusing on improving our internal processes. We'll be implementing systems and transforming our organization to better support our employees. You'll see a number of enabling technical capabilities sprinkled throughout this document. Taken separately, these new technologies are a great leap forward for our organization. Taken in context

PBO Key Initiatives FY2002

- Aid Application Reengineering
- Common Application, Origination & Disbursement
- Financial Management System with E-Business Center
- Integrated Web Portal with Student, School, and Financial Partner Views
- NSLDS Reengineering
- Consistent Answers for Customers
- Human Resources Support Systems

with our other modernization efforts, these enabling technical capabilities help us fulfill our core customer capabilities and drive our business.

You will also see highlights of our Share in Savings and Share in Results successes. This highly innovative and unique contracting approach has helped us accelerate our modernization effort. We've already saved $1 million a month since December 1999 by retiring the Central Data System. And now we've got another five initiatives slated for our Share in Savings "piggy bank" this year.

Moving Paper to Electrons…

We're committed to moving paper to electrons and to create the processes that help us be "easy to do business with". We want to make the possibilities of operating paperless a reality. Our goal is simple. To enable our primary customer, our students, to access and participate in our entire aid delivery cycle – awareness, application, origination, disbursement, repay – without having to send or receive a single piece of paper.

We've reengineered the way we provide aid application services using the FAFSA on the Web tool. With the new functionality and
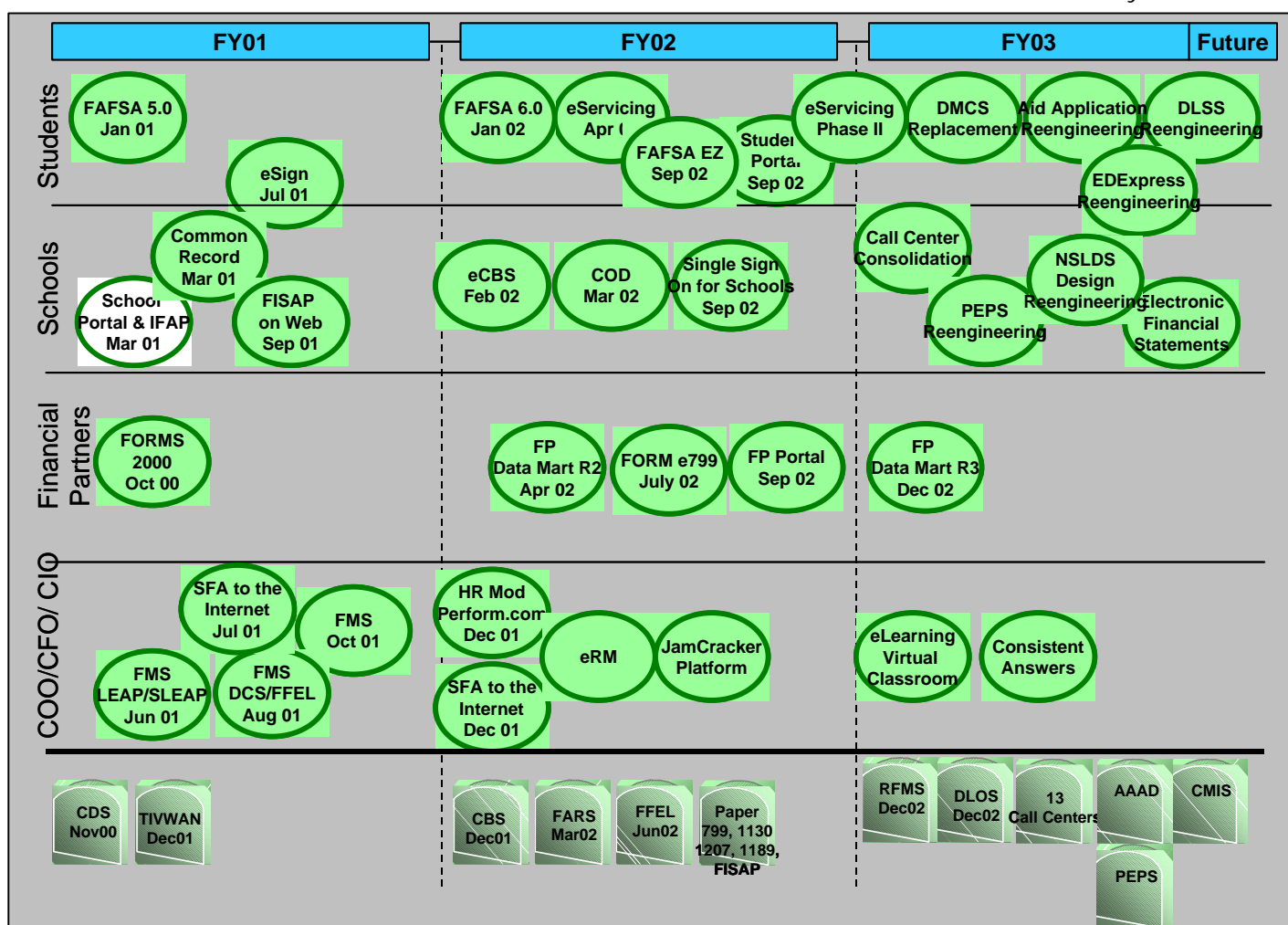
Modernization Milestones – Ongoing Achievements and Success Stories

We've achieved a number of successes in the past year and laid the foundation for the future. We've brought on line a number of integrated modernized systems, and retired old, stove-piped systems.

capabilities delivered in January, 2002 we're now able to provide a new look and feel for easier usability and enhanced accessibility of the application.

Our new electronic signature capability allows us to close the processing gap within the Direct Loan program. This reusable eSign tool allows students to electronically sign promissory notes generated by schools and financial institutions.

Our new Common Origination and Disbursement (COD) system will be released this spring. This integrated origination and disbursement solution will change the way we deliver aid through the over 6000 school participants in our Title IV Financial Aid programs. It will also enable us to retire two of our old, disparate, and outmoded legacy systems while providing us with a more robust, integrated, and accessible tool.

We've recently released new capabilities to provide our students with the ability to service their loans via the Web. Through the Direct Loan eServicing initiative, we've enabled our students to electronically receive and repay their loans and to correspond with us on-line.

These capabilities are all pieces of our commitment to move paper to electrons, respond to the goals of Congress' GPEA legislation, and make our systems and processes more accessible to our customers.

Building Program Integrity…

We've made progress towards restoring fiscal integrity to our organization. It's about restoring trust by achieving a clean audit and getting off the General Accounting Office's high-risk list.

We started by making a commitment to developing and implementing a centralized core financial management system (FMS). Our FMS vision remains the same: to provide a single, centralized, integrated financial management

system utilizing Oracle Federal Financials and incorporating business functionality across all program areas that provides access to sufficient levels of data.

We are also linking our COD system to our new FMS, thereby integrating our origination process that our Schools use to our financial management system. This link will share information to schools and provide them with an integrated view of their functions as well as process funding requests to ensure funds are received at the right time to aid our students.

In September 2001 we implemented our new eCampus Based solution enabling our Schools to transfer their Fiscal Operations Report and Application to Participate (FISAP) files via an internet based web site to our systems. This new eCampus Based solution also enables us to communicate key facts about our Campus Based lending programs to our Schools.

We're also consolidating a number of our disparate financial data systems into a usable, web-accessible, and report driven data mart. This Financial Partners Data Mart coupled with our CFO Data Mart provides us with the capability to quickly access and analyze key financial information. These modernization efforts not only enable us to work smarter, faster, and cheaper, but the capabilities delivered and information gleaned from these data marts allows us to monitor various financial trends throughout the organization and to act proactively.

We're redesigning our lender payment process, which will enable us to complete the retirement of the financial partners portion of the FFEL computer system. When this enhanced system goes on-line in April 2002 we'll be able to process payments to our lenders utilizing a web-based lender payment tool. We'll also deliver the capability to enable the guaranty agencies with VFAs to integrate with our Financial Management System.

Focusing on our Customers…

One of our core modernization goals is to focus on our core customers and commit ourselves to provide the right answers and right products all the time. We are creating common customer care tools and to provide our employees with the tools to provide consistent answers to our customers. We are also making it simpler to contact us. We've reduced the number of phone numbers by half with one number for each of our customer groups in an effort to provide "one call does it all" service. We're also implementing logical call centers to make sure that regardless of who answers your call, they will be able to consistently provide you with the right answers by utilizing the same common tools based off a standard customer relationship platform.

Our web portal will provide unique customer-centric views to provide links for our students, schools, and financial partners to a variety of our systems. By creating a common gateway to our systems, we put into place accessible tools and make the connection between our customer groups, our applications, and our data.

Integrated Architecture…

We've made a lot of progress towards modernizing our systems and retiring the old "hairball" of stove-piped legacy systems. Our target state vision lays out the core application architecture that drives our business processes. It provides us with a technical roadmap to connect our customers to our systems. We've built and implemented core technical tools that enable us to respond to your needs faster and more efficiently. This integrated architecture middleware technology helps to insulate our legacy systems, simplifies the interaction between our legacy and modernized systems, and provides for integrated transaction processing and enables accurate and consistent data.

Paper to Electrons – Building products to provide our customers with electronic access to the tools they need

We want our customers to be able to access the financial aid tools they need at their own convenience over the Internet. Below are some of the products we have created and are in the process of creating to provide our customers with electronic access to our systems and processes.

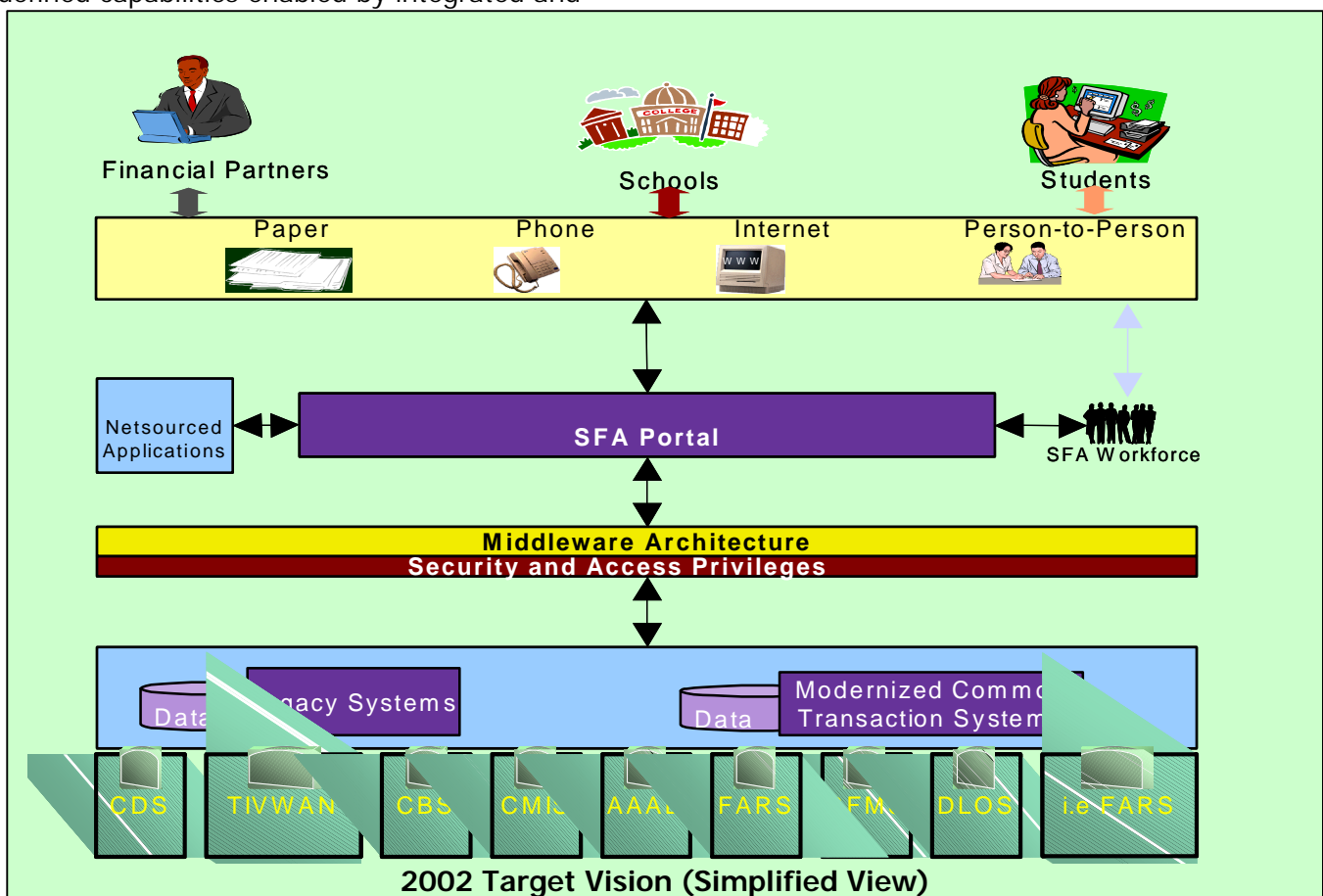| FAFSA on The Web | eSign Master Prom Note | COD | eServicing Electronic Bill Pay | Web Portals |
| Forms 2000 | Forms e799 | Electronic Financial Statements | FISAP on The Web | Loan Servicing Web Site |

Laying the Foundation for our FY2004 Vision

We've been moving down our modernization path towards transforming SFA into a high-performing organization that is focused on increasing customer satisfaction, increasing employee satisfaction, and reducing unit costs.

A good bit of that focus has been on moving from the old hairball of disparate, stove-piped systems towards a future vision of clearly defined capabilities enabled by integrated and customer driven technologies.

Our efforts over the next few years will concentrate on achieving our 2004 Target State Vision and moving us towards our next phase of Modernization. Our future architecture outlines how we connect our customers to our systems and data via usable and accessible web portal tools. We've also built in the necessary security layers to protect our vital data and we are utilizing middleware technology to enable transaction processing between our legacy and modernized systems.

Financial Partners

Schools

Students

Paper	Phone	Internet	Person-to-Person

Netsourced Applications	SFA Portal	SFA Workforce

Middleware Architecture
Security and Access Privileges

Legacy Systems — Data

Modernized Common Transaction System — Data

CDS | TIVWAN | CBS | CMIL | AAAL | FARS | FM | DLOS | i.e FARS

2002 Target Vision (Simplified View)

Untangling the Hairball…

We're making progress towards untangling the hairball of disparate and stove-piped systems. By the end of 2002, we will have retired 9 different systems, web-enabled our paper forms, and consolidated our legacy call centers into one logical call centers. We'll also start a number of major reengineering initiatives that will help to move us forward in our efforts to integrate our systems.

Our commitment is clear. We plan on retiring redundant legacy systems and put into place a suite of core customer-centric web services and integrated processes that allow us to deliver and manage financial aid products.

Making Progress According to Our Plan

We presented our plans in the previously published Blueprints, and we "kept score" for you about our progress in delivering results. We're doing the work we promised. Here are some of the results we've achieved in the past months.

2001 Projects	Status/Progress
Students Channel	
• Aid Application	• FAFSA on the Web release 6.0 operational in January, 2002 (http://fafsa.ed.gov/) • Mailed over 27 million personal identification numbers (PINs) since November 1998 to enable applicants to complete their FAFSAs on line • Processed over 30% of FAFSA applications via the Web and on target for 60% by end of 2002.
• Loan Servicing	• Direct Loan Servicing on-line correspondence, internet billing, and web base consistent answers tools operational in 2002.
• Loan Consolidation	• Initiative underway this fiscal year.
• Debt Collections	• Initiative underway this fiscal year.
• Consistent Answers for Customers	• Initial transformation of contracts provided immediate cost savings. Initial design on future consistent answers framework to consolidate call centers and provide one call does it all service.
Schools Channel	
• Common Origination & Disbursement	• Developed Common Record format to support future aid delivery processes; completed requirements and design for new technology that will lead to retirement of RFMS and DLOS systems.
• Schools Web Portal	• Schools Portal (www.sfa4schools.sfa.ed.gov) • Reengineered the IFAP (www.ifap.gov) site with a better search engine for more user friendly navigation tools and brought it on-line in March, 2001
• eSignature Master Prom Note	• Enabled electronic signature capabilities for loan promissory notes for both direct loans and FFEL loan programs
• eCampus Based	• FISAP on the Web system went live in September, 2001
Financial Partners Channel	

• Financial Partners Data Mart	• Release 1 deployed in May, 2001 providing on-line analytical tools for SFA employees and reduced reliance on external contractors
• FFEL Incorporated into FMS	• Lender Payment Process redesign to be implemented in April 2002 • FFEL Incorporation scheduled for June 2002
• Voluntary Flexible Agreements	• Guaranty Agencies enabled to submit VFAs electronically to SFA in October 2001.
CFO	
• FMS	• April, 2001: LEAP/SLEAP capabilities delivered for State aid applications • June, 2001: LEAP/SLEAP Award Calculator delivered • August, 2001: DCS/FFEL Lender interface and LEAP/SLEAP Performance Report delivered • October, 2001: Full basic accounting application delivered and capabilities to support Direct Loan, Pell, and Campus Based capabilities delivered.
• FARS	• Release CMDM Data Mart in February, 2002 • Retire FARS March, 2002
CIO	
• Integrated Technical Architecture (ITA)	• Delivered Reusable Common Services, Performance Enhancing Tools and architectural support services to shorten application development and delivery cycle.
• Enterprise Application Integration (EAI)	• Implemented middleware technology to support COD, eCampus Based, FMS,
• Security & Privacy Architecture	• Security Assessment and initial Single Sign On capabilities to be delivered in summer, 2002.
• Consistent Data	• Developed Consistent Data Management Model for use by modernization project teams.
• Enterprise Data Warehouse	• Architecture framework for data mart consolidation to be incorporated by spring, 2002.
• SFA to the Internet	• SFA to the Internet retirement of TIV WAN proprietary system went live in September, 2001

Focusing on Our Customers – Delivering Our Core Capabilities

Aid Application – Putting the Right Tools in the Hands of our Customers

In the world of financial aid, one customer group exists at the center: students. Our ability to help put America through school is focused primarily on answering the question of "what does it take to put and keep a student in school?" We can only answer that by centering on our students and helping them maneuver through the current maze of financial aid delivery. It begins by helping students apply for aid directly, faster, and universally.

Aid application starts with the Free Application for Federal Student Aid – better known as the FAFSA. We've seen a thousand-fold increase in the number of applications submitted over the web since we started the FAFSA on the Web site in 1997. By enabling our students to apply for aid directly over the Web either at home or through their School Financial Aid office we've made a dramatic difference in how students access our capabilities. In 2000-2001, we received over four million electronic applications from students all across the country. This year we expect to receive over six million applications via the web. In return, we've seen a decrease in the number of paper FAFSAs submitted to SFA and project an additional 10% decrease in paper FAFSAs next year. Our goal is to have 60% of our FAFSAs filed electronically by 2004. This change in how our customers and partners participate in the aid application processes will result in real cost savings to SFA.

We've been able to achieve this result by modernizing our current FAFSA on the Web site. We took the current website and performed an in-depth analysis to clearly understand the needs of our users. With this information, we worked to modernize the current system with plans to integrate the aid application process with a number of our other procedures. We've answered some of our customers direct needs by enabling users to save their work on-line and in-process and provided them with the capability to access help via the web. With Release 6.0 of FAFSA on the Web we have increased responsiveness and reliability of our system, increased its usability, and we have instituted a scalable architecture that allows for greater volume. We will also set the foundation for future releases of FAFSA to support both specific needs of our

Electronic Signature and Master Promissory Notes – Providing Web-based On-Line Processing to our Students.

We released our eSignature capability on July 1, 2001 and enabled our students to electronically sign their loan promissory notes via the Web. With this capability, our schools that participate in both our Direct Loan and FFEL programs are able to transmit an electronic promissory note to the student who is now able to electronically sign the promissory note and transmit it back to the school. This is a key capability that not only helps to meet the Government Paperwork Elimination Act (GPEA), but directly supports our efforts to move paper to electrons and provides our students and schools with an important tool in their financial aid delivery toolkit.

Our eSign effort is part of an overall goal to create the possibility of paperless participation in our aid delivery process. It helps to link our aid application processes with our aid origination and disbursement processes and provides an electronic means for our students to formalize their financial aid commitment.

user community and to respond to future regulatory changes in aid application legislation.

Our Aid Application core capability doesn't just end with FAFSA on the Web. By the end of this fiscal year, we plan on implementing what we call FAFSA EZ. It will allow them to apply using a version that contains the core aid application questions and helps make the process simpler for those students and parents most in need of financial aid. We're looking at reengineering our entire process. We'll move to retire the current EDExpress system and reengineer key functionality into FAFSA on the Web. We'll also begin to look at the eventual retirement of our FAFSA Express system. Our end goal will be a consolidated and integrated aid application system centered on our FAFSA on the Web site that enables students and parents to apply and manage their aid application via the web, anytime, and anyplace.

Origination and Disbursement – Linking our Aid Delivery and Aid Application Systems to Provide a Seamless and Integrated Environment

We've started to modernize our aid origination and disbursement process by retiring the old RFMS and DLOS systems and consolidating key and new functionality into our Common Origination and Disbursement (COD) system. We are moving away from a program-centric environment to a student-centric environment. With the framework underway and COD set to go on-line in March 2002, we're also moving forward with the next phase of our plans to provide our customers with integrated application, origination and disbursement process (IAOD). IAOD will integrate and link our aid application processes with our origination and disbursement systems to provide a seamless workflow for our students and schools.

We'll reengineer the design of our aid application processes to rapidly incorporate award year changes, the pre-population of aid applications as well as the renewal of applications. We are also moving towards building integrity into our application processing by incorporating eligibility, completeness, and reasonableness checks into our electronic applications. Tying these to our origination and disbursement processing will enable us to better manage fund administration, process the common record and generate the proper authorizations and disbursement mechanisms to foster more efficient aid delivery in conjunction with our school partners that we help get the right funds to the right students at the right time.

These new processes will be complemented by our improved customer service delivery enabled

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EAI – Middleware Technology Supports COD

We put the Common Origination and Disbursement (COD) system on our EAI middleware architecture – "the Bus". COD streamlines the delivery of financial awards through an integrated set of common processes. Because COD interacts with 9 other SFA systems, it uses the services provided by the EAI bus to exchange information with the other SFA trading partners.

EAI is a set of technology selected by SFA to facilitate common access to student aid data stored in disparate locations. The EAI Core team has assembled servers and software (including IBM MQSeries). We've built middleware capabilities that enable our 9 of our systems to interact with one another via the EAI Bus. The EAI Bus enables COD to transport origination and disbursement files and data via the EAI messaging tools between our multiple trading partners and it allows us to translate the various data formats from our multiple application systems. Files are transferred from trading partners to COD through the services provided by the EAI architecture. In addition, individual transactions are transported and transformed, if necessary, using the services provided by the EAI architecture.

In the end, we are able to provide seamless integration of our origination and disbursement services to over 6000+ schools using a common standard and set of technical procedures. ♦

by our commitment to providing consistent answers for our customers and partners.

Common Origination and Disbursement – Consolidating Aid Delivery Systems Utilizing a Common Record

We performed an in depth analysis of our aid origination and disbursement process and moved a step closer to developing a Common Origination and Disbursement (COD) system. Working with our Modernization Partner we've set COD as a Share in Results initiative. This decision helped us move this critical solution to the forefront of our modernization effort. This integrated origination and disbursement solution will change the way we deliver aid through the over 6000 school participants in our Title IV Financial Aid programs.

COD will give us the capability to process and house the Pell, Direct Loan, and Campus-Based data in the same integrated technology and implement consistent data standards as our FFEL systems. We implemented the Common Record format in March 2001, which enables our schools to transfer data via their current legacy systems using an XML based format that enables better translation of data transactions.

Common Origination and Disbursement (COD) drives towards an integrated origination and disbursement solution option for all schools. We are reengineering the existing method of delivering aid to students into a common delivery process. We will create a system that facilitates close to "real-time" sharing of data across all of our partners, and we will create a platform that supports integrated technical and functional customer service for schools across all programs.

We recognized the current problem – too many non-integrated systems providing often-conflicting information to our customers. Our partners feel significant pain when they try to see data across these different programs. Current systems require them to log in and log out constantly, oftentimes not providing the ability to retrieve necessary information. The COD initiative is a way for us to deliver simplification and easier access. We'll keep the current processes for reporting student financial records while designing a new set of common processes across financial aid programs. Implementing common processes will help schools reduce their information systems

Common Record Utilizing Middleware Technology Enables Schools to Use Both Current Record Transmission Process or New Common Record Process
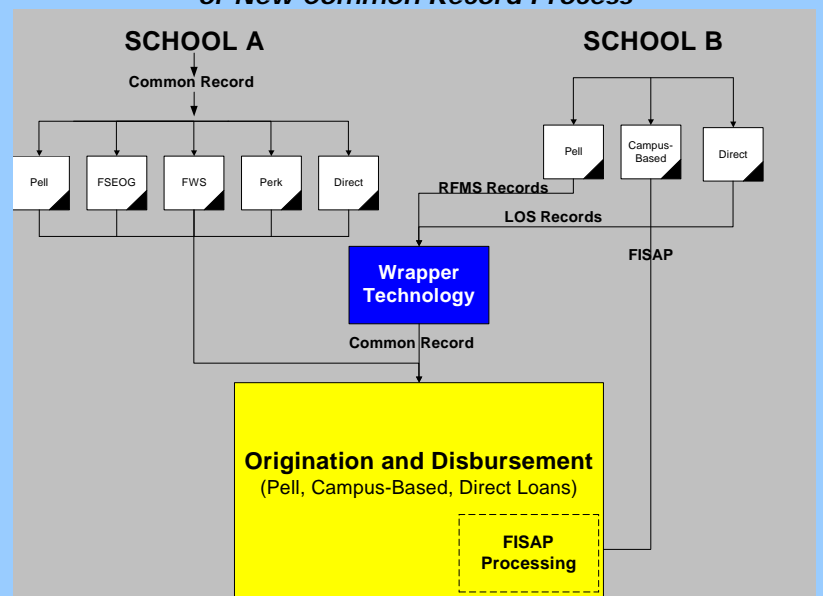
Our new middleware architecture allows for the use of wrapper technology to translate both the common record, developed in XML format, and current records in each legacy system's language and transmits those records in their respective correct formats to the Origination & Disbursement system. This approach enables schools to choose to continue interfacing as they currently do, or take advantage of the new Common Record approach. ♦

maintenance, training on multiple SFA systems, and operations. It will also help to reduce the number of errors and time needed for
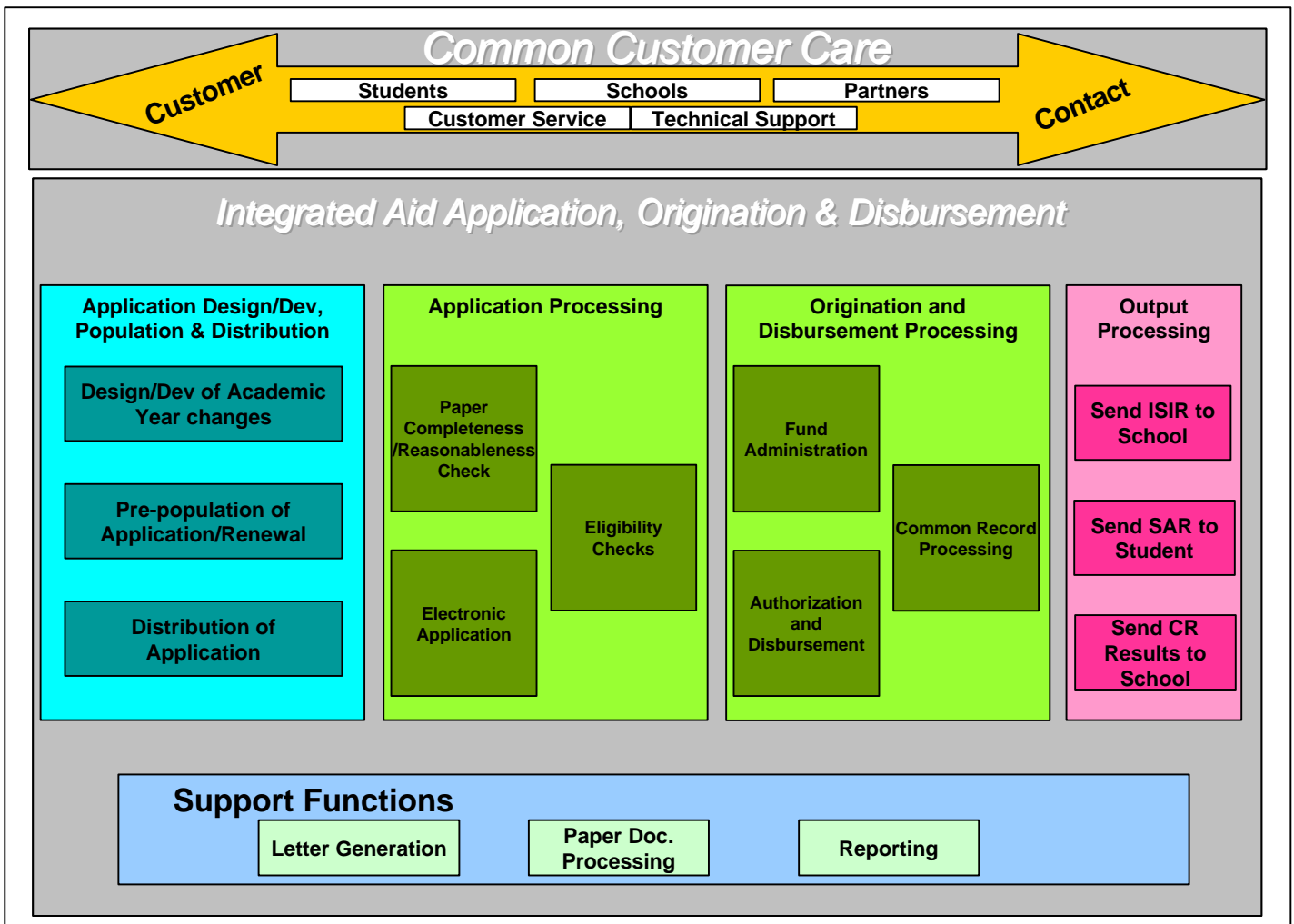
reconciliation. The COD initiative encompasses a common process for requesting, reporting, and reconciling Pell Grants and Direct Loans. Also, we will provide options to detailed student reporting in the eCampus Based System to alleviate some of the burden of FISAP filing. These connections to both eCampus Based and the FMS allow us to maintain the integrity of our financial systems while providing our Schools with an integrated view of key origination and financial data.

A key component of this effort will be the Common Record. The Common Record develops standards for the transfer of data among financial aid delivery partners. The idea is that a current data record for a particular student is made up of many sequential parts. In today's system, those parts must line up in specific places or the record cannot be read.

Using XML technology to build the new common record we remove the need for static or fixed record layouts. The common record accepts each of its parts as a whole and can receive them in any order or sequence. The system that receives the record reads the data in the right sequence. We are also planning on implementing and XML based ISIR. This capability will enable us to electronically and seamlessly link our aid application processes

Common Origination & Disbursement Implementation

- Phase III – Design & Development – August 2001

- October 2001 – Fully stress test new COD system and Common Record process.

- Implementation Phase 1 – Full Participant Schools to Utilize Common Record process starting in March, 2002

with our aid origination & disbursement processes. We are looking to implement "plug and play" software tools that will help our schools and partners perform immediate need analysis to better serve our students.

Our goal is to provide our customers– schools– with access to a single process to request funds and report disbursements. But we'll continue to accept records in the current format until the 2004-2005 award year to allow schools to migrate to this new technology as they are ready. Although some schools will not transmit information via the XML common record in the initial two years of COD, the COD system will process all origination and disbursement data for 2002-2003 forward and all schools will receive the benefits of an integrated system.

By creating an integrated system we can simplify the manner in which schools submit financial aid data to SFA, streamline the disbursement process, accurately track and manage our internal auditing processes by providing automatic links to our new Financial Management System, and begin to provide consistent access and data to our customers. This will include identifying common edits across programs and eliminating inter-system edits no longer necessary as we improve our underlying systems. Thus, we reduce the number of rejects and students caught up in the process.

Much of the initial functionality of COD is made possible through the use of middleware and our integrated enterprise architecture. The middleware will allow legacy systems to feed data into the integrated architecture where the common record is created. That common record will be fed into the COD application. Over time, COD will house additional functionality as redundant legacy systems are retired.

We're moving forward on an aggressive schedule that will provide customers with a world-class origination and disbursement

system that delivers a seamless production and transfer of financial data to our partners and customers.

In the end, we'll be giving our schools a single process with one integrated point of access instead of the current multitude of access points, with on-line access and faster exception processing. The present, cumbersome program-centric multiple systems will be replaced by a new student-centric integrated system.

eCampus Based System – Web-Enabling Key Tools to Support our Schools

We're retiring the old Campus Based (CB) system and providing our schools with a web-enabled application. This new eCampus Based (eCB) system satisfies two primary functions: the first, a web-based front-end for institutions to use to enter, submit, and edit their FISAP data; the second, a web-based front end for CB staff to run simulations, allocations, and administer the Campus-Based programs. In the end, eCB will be easier to update and maintain, provide a more efficient tool for CB staff to administer the CB programs, provide a friendlier tool for our customers, and offer scalability.

Additional benefits of the eCB system are:
- Fully modernizes CB back-end award calculations along with having a friendly user front-end.
- Improves CB staff's ability to provide better customer service through shared views of data.
- Places the control of key CB processes into the hands of CB staff vs. maintenance contractors.

We staged the production of eCB in two releases. Release 1, which went into production in September 2001, covered the construction and production of the school web front-end, database, and mainframe data synchronization. This includes On-Line FISAP, real-time edits, a secure login, and data

synchronization to the Mainframe during parallel operations. Release 2, scheduled for FY2002, will complete the CB Staff interface and add additional views for schools. This includes award simulations, an accounting module, an EAI interface, and the CB Staff interface.

eCB integrates with other modernization projects.   It supports FMS as the financial control and reporting system for the modernization. It supports the internet/portal strategy as the remote access method of choice. It conforms to the application architecture that is documented in the blueprint and the target state vision. It can also accept aggregated student data from COD in order to pre-populate portions of the FISAP for school who have chosen to report campus-based disbursement information to COD. By working with other modernization projects, we are helping in achieving the goals of SFA by

integrating our systems to provide seamless processes for our customers.

What is the purpose of eCampus Based Systems Modernization?

Answer: **This initiative was designed to reduce the cycle time for application processing for schools, reduce risk related to an aging systems, increase SFA staff access to data and analysis capabilities, provide schools and servicers with an alternative submission option for the FISAP file and increase maintainability while reducing cost.**

We provided our customers with the capability to interact with us electronically while reducing the probability of errors entering our systems. ¨

SFA to the Internet – Web-enabling Our Key Systems and Retiring Inefficient Processes

In spring 2001, we committed ourselves to retiring our old proprietary wide area network – TIVWAN (Title IV Wide Area Network) system and moving key capabilities to the Internet. Recognizing the speed required to retire TIVWAN, we entered into a Share-In-Savings agreement with our Modernization Partner. Using this unique contracting vehicle enabled us to accelerate our modernization effort and to save $2-$3 million a year. We were able to deliver the 1st phase of the SFA to the Internet solution to our customers in September 2001, with the final retirement of the old TIV/WAN system completed in December 2001.
The new capabilities enable our customers to perform key data transactions over the internet without having to use our costly proprietary TIV/WAN network. It also enabled us to retire the old Title-IV on-line query system and replace it with a web-based solution.

We utilized interim technologies like b*Trade to reengineer the old GEIS VAN network that handles transmissions from a number of our systems. This successful implementation enables our end-users (schools, guaranty agencies, state agencies and third party service providers) to download from the internet our new application. We were also able to retire the old Open*Net and Enterprise Systems without losing key functionality. We modified our current technical websites to enable our users to download transmission software directly from the web thereby providing our customers direct access to our processes 24 hours a day, 365 days a year.

Common Servicing for Borrowers – Streamlining Aid Servicing Around our Core Student Customer

We took a look at this large area of our business and put together a road map for Common Servicing. This self-assessment allowed us to create a step-by-step plan to modernize this core capability area.

The key to this modernization effort is its sequencing. We started by retiring the old Central Database System. This enabled us to tackle the customer service aspects of loan servicing within the Direct Loan program. We'll follow up this effort with the replacement of our Debt Management and Collections System. We'll look next to reengineering our Direct Loan Servicing tools as well as our Direct Loan Consolidation systems.

Direct Loan eServicing - We launched the Direct Loan eServicing modernization effort utilizing our Share in Savings contracting tool. We have implemented a web-based application to provide our students with the ability to service their loans via the Web and to correspond with us on-line. This is a win-win for all of us. Our students are able to interact with us financially over the Web and we are able to reduce current costs associated with handling and managing their loan repayments. Students will also be able to receive and send correspondence to us via the Internet. This will help us reduce the over 400 different pieces of correspondence that we currently mail out to our students each year. On top of that, our customer contact centers will be provided with
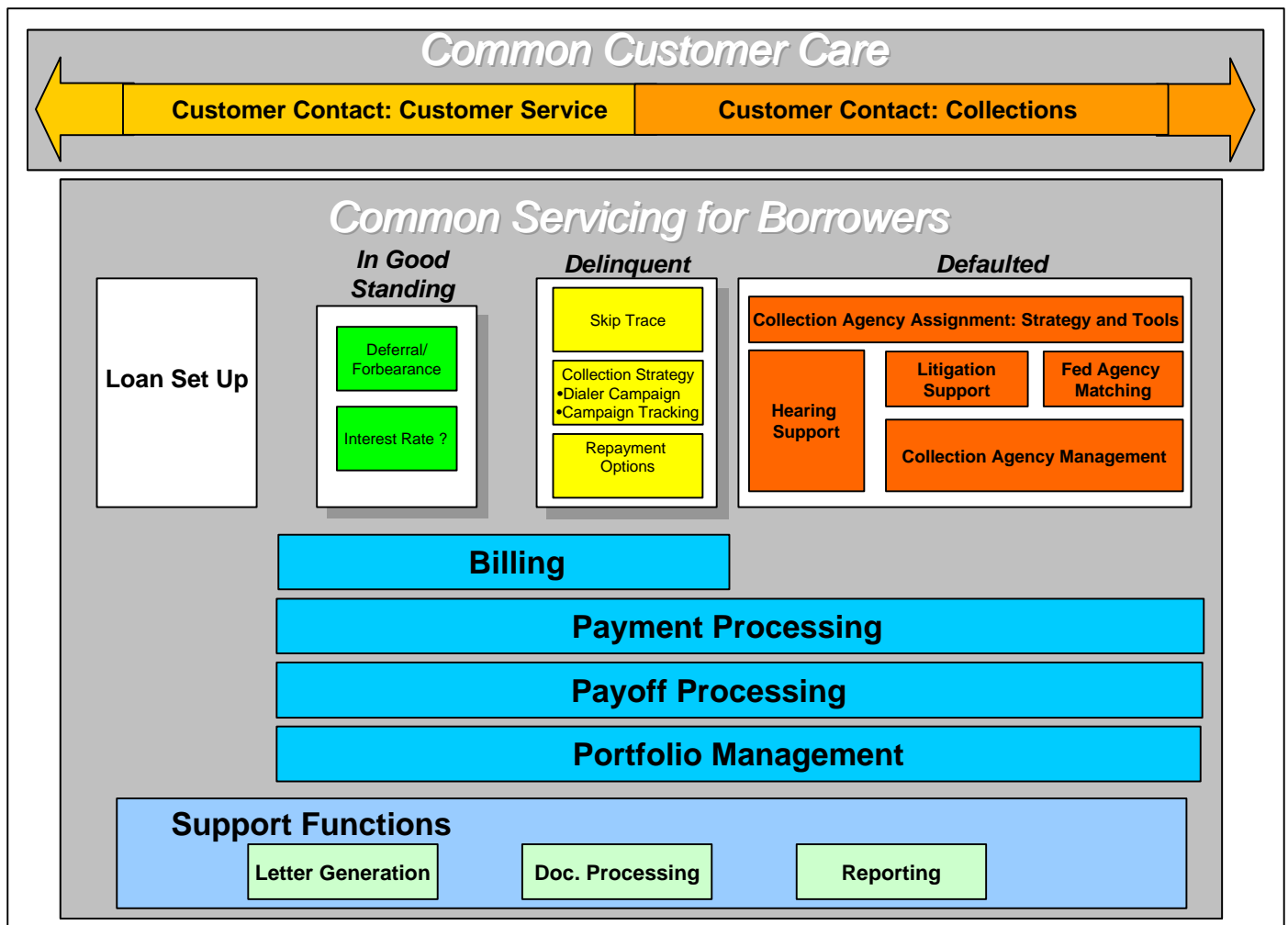
common and consistent scripts that will ensure that each student receives consistent and accurate information each and every time they contact us.

DMCS Replacement – We've recognized that the current debt management and collections system faces some challenges. Some of these include:

- Intense pressure to maximize recovery rates while decreasing operational expenses and collection costs.
- Increasing recovery rate from 10.45% in FY00 to 11.36% in FY01.
- Reducing collection agency fee from 23% to 20% in the next two years.
- Growing defaulted loan portfolio.
- Managing collection agencies' performance and ensuring a performance-based environment.
- Improving Collections' productivity through lean, efficient and automated processes
- Lack of sophisticated decision strategy capabilities within the computer system
- Expiration of current legacy system contract and projected legacy system contract extension not to exceed December 2002

Additionally we've heard from our partners that due to the rigidity of our systems they are having trouble exchanging accurate and timely transactional, financial and skip tracing information in an automated fashion.

These were some clear and compelling challenges. Coupled with our need to follow up the retirement of the Financial Partners components of the FFEL system with the retirement of the Students FFEL components, we determined that the complete replacement of our DMCS would better serve our students and borrowers. Our plan is twofold – to create a common application environment that provides our borrowers with accurate access to their loan information and to enable our borrowers to manage their loans via a consistent set of accessible tools and services.

Keeping IT Fresh – Integrated Technical Architecture Speeds Delivery Time and Lowers Costs…

We've successfully released two iterations of our Integrated Technical Architecture and have a third on the way. These common reusable tools and practices enable us to lower our overall application development costs and speed up the software delivery cycle.

The concept is simple – we take the most common practices of software development and build core, adaptable, and reusable components that each of our application system development teams can access. It's a variation on the successful plug and play component methodology. Instead of having each of our teams spend valuable resources to build the same tools repeatedly – our ITA team does the job for them once. We also keep it all fresh, by building in frequent upgrades to make sure that our systems are up to date, optimized, and available for our various modernization project teams. In the end, we get systems that work for less cost and you get the business capability that you require faster and with a higher level of quality built in.♦

It enables us to better serve our borrowers and provides significant cost savings for us.

Debt Management II: We'll follow up our initial replacement of DMCS with the implementation of enhanced functionality. This effort will further consolidate our disparate servicing functions into a common servicing framework. We'll continue the efforts initiated by the DMCS Replacement effort and also leverages the Direct Loan eServicing successes. We'll introduce new capabilities focused on both reduction in collection costs and an increase in our overall collection rate. Combining this effort with our overall Common Servicing initiative will also help us decrease our overall default rate. The specific new capabilities would be:

- Default loan portfolio management
- Collection agency assignment strategies and tools
- Repayment predictive modeling
- Customer analysis and alternative collection strategies
- Collection agency performance monitoring and incentives
- Enhanced web self service
- Intelligent routing of defaulted loans
- Automated workflow
- Automated matching with other federal agencies

DLSS Reengineering - We'll move closer to the full implementation of our Common Servicing for Borrowers initiative by implementing the Fourth stage along the path of Common Servicing vision. This stage includes reengineering of the core servicing functions to take advantage of commercial best practices. New and enhanced capabilities will include:

- Enhanced skip tracing of delinquent loans
- Repayment predictive modeling
- Delinquent loan portfolio management
- Customer analysis and alternate repayment strategies
- Enhancement of web self service capabilities.

This stage will also build upon the customer service capabilities implemented as part of the Direct Loan eServicing effort focusing on call center process reengineering, call center consolidation and deployment to Direct Loan Servicing Center departments beyond borrower services.

Enabling the Possibility of Paperless Interaction with the Student Aid Delivery Process

One of our true goals is clear. We want to provide our students with the possibility of dealing with us without having to receive or send a single piece of paper.

Sounds ambitious? But we're closer than you may think. Our FAFSA on the Web enables our students to apply for aid electronically using their unique personal identification number. Their electronic FAFSA application gets processed and will link to our new Common Origination and Disbursement (COD) system. COD will enable our students to receive loan origination and disbursement data from their schools. Our schools will be able to provide our students with their loan promissory notes electronically and enable them to sign those notes with an electronic signature. That note is then transmitted to the school, validated electronically by the lender, accepted and processed.

But we're not done yet. While in school, our student is able to check on their loan portfolio using our loan servicing web sites and each year and reapply for aid using the FAFSA on the Web tool. Once our student has graduated they can begin to repay their loans over the web using our loan servicing web sites. If they need to consolidate various loans, they can access our loan consolidation web site through the Student Web Portal and apply on-line for a consolidation loan. If by chance our student defaults on a loan, their electronic records are transmitted to our debt collections system which is a part of our integrated Common Servicing for Borrowers system and we can help that student manage their financial obligations. If our student has any questions about their loans they can use our Web Portal to receive answers to their questions. If they need to talk to one of our customer service representatives, we'll be able to provide them with consistent answers and ensure that we have accurate data from our common customer care platform.

The possibility exists to provide a completely paperless environment for aid delivery participation. By mid-2003, that possibility will be a reality.

Common Customer Care – Providing the Common Tools to Enable Delivering Consistent Answers
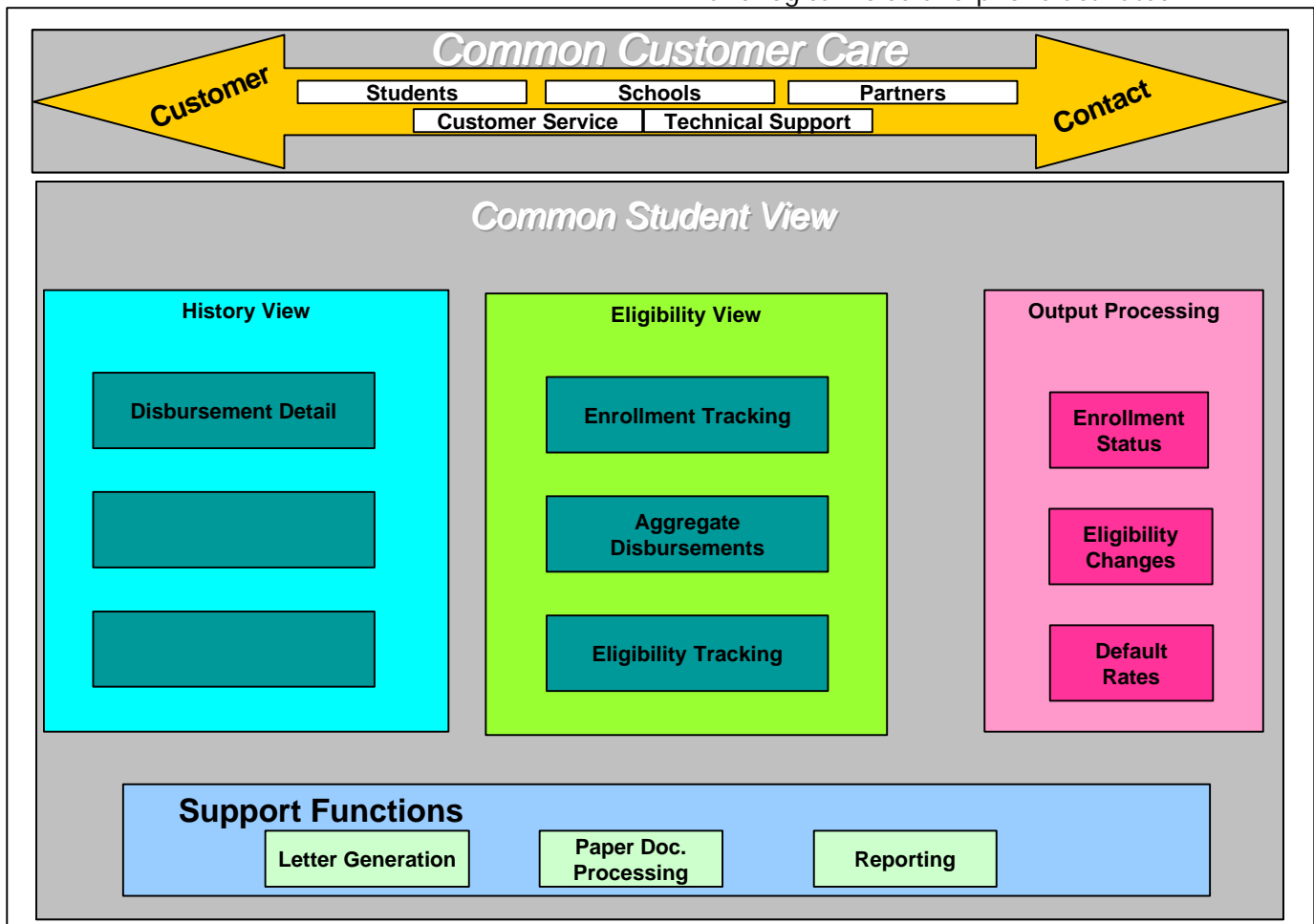
Consistent Answers for Customers –

Our Consistent Answers for Customers initiative is tightly integrated with our common servicing for borrowers effort and is one of the core capabilities of our overall modernization. The challenge is straightforward – how to create a world-class customer service organization that is integrated and provides seamless, high-quality service to our customers. We've moved forward aggressively by initiating this effort using our Share in Savings contracting vehicle.

Recognizing that our customers were receiving an inconsistent service experience supported by various applications including disjointed integrated virtual response units (IVRs), multiple customer contact numbers, and inconsistent data sources, we took the initiative to begin the transformation to a consistent customer service capability. We'll implement a common customer service suite of tools that can provide our employees with a consistent set of answers to common questions.

Our timeline is aggressive. We've set the stage to transform current contracts that support our thirteen call center systems and to modernize our customer contact capabilities into a world-class customer service delivery model. We are consolidating these disparate contracts and moving towards creating our "One Call Does it All" customer service delivery model. We are implementing consistent scripting messages and logical voice and phone activated

messaging systems. Our customer contact centers will have the right tools and knowledge to provide the right answers to your questions. We'll move forward with our efforts to create a Consistent Knowledge Delivery framework, which will lead to our Help Yourself Self Service and our end stage Customer Service Excellence model.

It's all about enabling our organization to present a common and consistent face to our customers. From our One Call Does it All phone system to our common web presence, we're focused on delivering results for our customers and untangling the current maze of inconsistent, confusing, and costly contact centers and processes.

NSLDS Reengineering- Providing Access to Core School & Student Data

NSLDS currently centralizes all Title IV student aid data obtained from schools, guaranty agencies, and many internal SFA systems. Some of the key capabilities that NSLDS currently provides are:
- Determining student eligibility for Title IV student aid – both pre-screening and post-screening
- Calculating default rates for schools, guarantors and lenders
- Supporting reasonability of payments to guarantors and lenders
- Tracking student enrollment status
- Providing information to policy, research and other groups

We've recognized over the past few years that the current NSLDS costs of over $25 million annually are too high while the system struggles to deliver timely and reliable information to internal and external users. That's why we are committed to modernizing NSLDS carefully and thoughtfully over the next few years using advances in data warehouse technology, modernized systems such as COD, and your direct feedback.

The first stage of our modernization effort in FY01 was to institute a "Mad Dog" team to find ways to improve customer service delivery and the processes and techniques around NSLDS without significant technology change.

The second stage will begin after COD is in production – in March 2002. We have sequenced these efforts in this manner to avoid the risk of changing these two key core processes and systems at the same time. During this stage, we will determine how to integrate data from NSLDS and other sources, using new technology. A re-engineered NSLDS will allow access to the best sources for real time view of and history of student aid status.

The NSLDS modernization effort in FY02 will begin to provide immediate and long-term enhancements that will:

- Improve the responsiveness of NSLDS
- Improve the quality of NSLDS data
- Integrate NSLDS with our modernized data marts and portal views
- Reduce the cost of operating the NSLDS system

The key outcome of this effort will be an NSLDS that is integrated with our other core systems and that provides our customers with the accurate aid information they require.

Financial Management – Restoring Trust and Integrity to Our Financial Systems

We're committed to restoring your trust in the integrity of our financial systems and achieving a clean GAO audit. We're well on our way to that accomplishment.

FMS utilizes Oracle Federal Financials system in order to create a single, centralized integrated financial management system. The purpose of SFA FMS is to incorporate Financial Management users, systems, data and processes into useful, accurate and timely information, which can be utilized across all SFA channels, enterprise areas, partners and stakeholders.

FMS's vision is to incorporate business functionality across all program areas that:
- Provides access to sufficient levels of data
- Supports SFA Channels, Enterprise areas, and Partners
- Provides timely and consistent data for strategic decisions
- Increases reporting capability across organizational units
- Provides appropriate security, controls and audit trails
- Limits data and process redundancies
- Achieves the SFA performance-based objectives
- Complies with legislative requirements

FMS will provide SFA and its partners a number of benefits. We will improve the overall unit cost of delivering student aid by providing cost information, funds management, and better integrity and internal controls over costs. We will improve employee satisfaction by providing employees with better tools to increase accuracy and efficiency to meet business needs. We will improve customer service through improving response time to financial information by providing a single source of

current, on-line, accurate data. The most important concept is that FMS will provide the financial accounting mechanism critical to an organization responsible for more than $65 billion worth of grant and loan awards.

FMS is being implemented in phases. This phasing approach enables SFA to achieve measurable success in short, manageable amounts of time. The phasing approach also

> **CFO is using a Phased Approach for implementing FMS**
>
> ✔ **Phase I** – Planning. Validate the SFA FMS Concept of Operations, develop conceptual design, develop implementation plan. Completed April 14, 2000.
>
> ✔ **Phase II** – Proof of Concept Implementation. Implementation of Oracle products for the FFEL/Guaranty Agency Payment program. Completed September 29, 2000.
>
> ✔ **Phase III** – Incorporate core accounting for each of the remaining Title IV programs (Direct Loan, Campus Based, Pell, Lender Payments, LEAP/SLEAP and Debt Collection Services). Completed October 1, 2001.
>
> **Phase IV** – Integration with Program Systems and Department core financial systems. Development and transition management activity.¨

lessens risk by approaching each development task in the same manageable time frame with definable and controllable milestones.

Phases I and II were completed in 2000, and Phase III was completed in October 2001. Phase III enables SFA to begin to capture the appropriate transactions in order to produce financial statements and other important management information and statistics for the Title IV programs. Phase IV, which is currently in development, updates the interfaces for SFA's new program systems (COD, eCBS, Lender Payments, etc.). We will provide a single point of funding and financial data for SFA programs, and gain greater financial

management and control over its receivables through enhancements to accounts receivables.

Having a consolidated financial management system will facilitate SFA to have the "best in business" integrated FMS, and will help manage the flow of financial information across all of SFA's information systems.

Financial Partners Data Mart – Easy Access to the Information You Need

The FP Data Mart provides customer information for the employees and partners, and will eventually be the main source of consolidated financial partner information.

We planned for three releases of the FP Data Mart. Release 1 was deployed on May 29, 2001. Release 1 established the infrastructure for compilation and access to lender and guaranty agency data. Loaded in the Data Mart is data pertaining to lenders and guaranty agencies that forms a historical basis for evaluation. The Data Mart eliminated legacy system, contractor dependent processes and replaced it with user owned data management. The Data Mart allows channel personnel more time to analyze the information and work with the guaranty agencies and lenders to provide assistance instead of spending time trying to access and accumulate information.

Release 2 of the FP Data Mart will provide self monitoring and oversight tools and will focus on the data load and link with the new FMS to provide a continuous stream of financial data as well as select elements from NSLDS which are necessary to augment data comparisons and lender risk management assessment. Release 3 will provide augmented monitoring tools and

oversight ability. This release will focus on the data load and links from FMS, PEPS, NSLDS, and an evaluation of any newly implemented processes or systems, which may replace existing legacy links as well as guaranty agency risk management assessment.

The FP Data Mart is expected to be effective for years to come. It provides a more cost effective method to create additional reports as analytic requirements change. In additional, data mart reports and analysis capability will allow for more joint comprehensive analysis with our partners and customers and can be accessed and reviewed as needed within any venue and greatly enhance communications and customer satisfaction.

Financial Partners Data Mart – Improving Efficiency while Providing a Broader View of our Fiscal Health

- Foundation for providing a consolidated view of information about our partners
- Enables the web portal and other tools and technologies to be more cost effective
- Reduce costs by providing capabilities that currently either do not exist or are inefficient
- Increase customer satisfaction by providing more timely information to our partners
- Increase employee satisfaction by giving them the information and tools to better support "partner" relationships internally and externally
- Long-term benefit in ensuring consistent data and having a single repository

Moving Towards an Enterprise Data Warehouse – Consolidating our Consistent Data
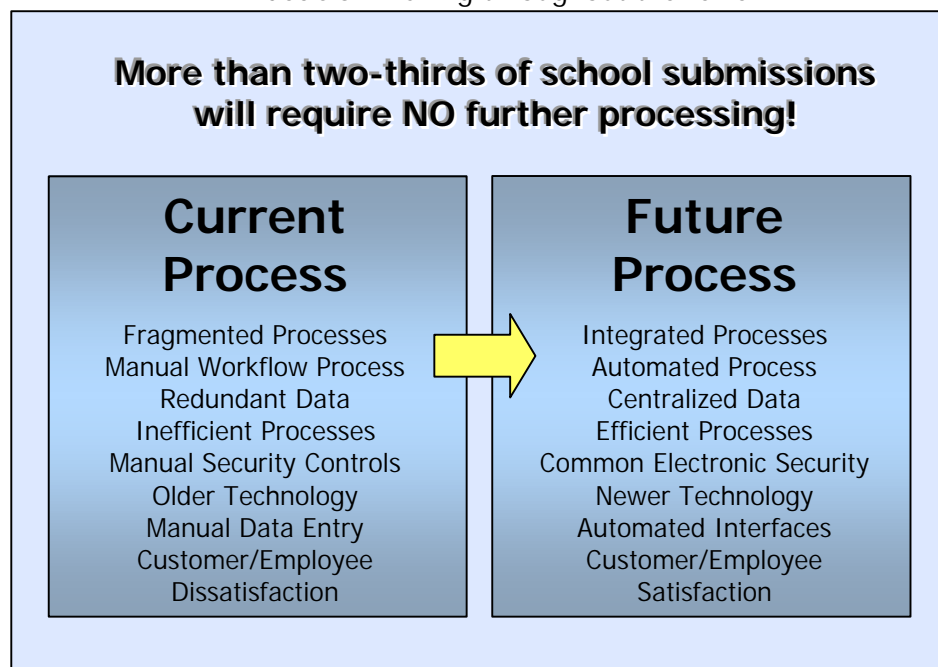We're developing the core infrastructure and architecture to support an Enterprise Data Warehouse. This initiative will build a framework to connect and integrate our existing and future data marts, using the industry's best practices and methods, so that SFA can get more consistency across all its information data stores as well as more value from its current and future data mart investments. ♦

Electronic Financial Statements and Compliance Audits – Creating a Paperless Environment

Currently, the Department of Education collects financial statements and compliance audits in paper form from 6,500 proprietary, non-profit and public institutions that participate in the Title IV programs. This collection process is time-consuming, labor intensive and involves constant document handling. In fiscal year 2000, the Document and Receipt Control Center (DRCC), a review process group within SFA, processed over 13,500 documents – 7,200 compliance audits and 6,300 financial statements.

The Government Paper Elimination Act (GPEA) requires government agencies to have electronic versions of most documents, and we plan to answer to that.

Our Electronic Financial Statements and Compliance Audits initiative will create a paperless single point of receipt for financial and compliance reports through the web. We will integrate business rules for improved decision-making throughout the review

> **More than two-thirds of school submissions will require NO further processing!**
>
> | Current Process | Future Process |
> |---|---|
> | Fragmented Processes | Integrated Processes |
> | Manual Workflow Process | Automated Process |
> | Redundant Data | Centralized Data |
> | Inefficient Processes | Efficient Processes |
> | Manual Security Controls | Common Electronic Security |
> | Older Technology | Newer Technology |
> | Manual Data Entry | Automated Interfaces |
> | Customer/Employee Dissatisfaction | Customer/Employee Satisfaction |

Providing Our Customers and Users with Direct Benefits...

- **Schools –** Will no longer submit a paper copy to SFA but will use a web interface.

- **Auditing Firms –** Will electronically verify the accuracy of data submission through the web.

- **Document and Receipt Control Center (DRCC) –** Role will change from checkers to quality control and compliance updaters.

- **Case Teams –** Will have a new workflow process and methods to allocate resources and streamline current resolution processes.

- **Federal Audit Clearinghouse –** Will have a reduced role for processing A-133 audits for SFA. ¨

process. We will also design the application to provide for managing workflow, automating certain repetitive tasks and providing an electronic record of a school filing.

We will be building off the success of related applications within the Department of Housing and Urban Development (HUD) and the Securities Exchange Commission (SEC). For example, HUD and SEC experience proves that the key to their success was the early involvement of key financial groups including, which we plan to utilize in the design phase.

We plan on utilizing the full systems development lifecycle to provide our users with the capability by October 2002 to transmit their electronic financial statement to us via the web, retiring an old manual and paper-based process and saving us close to $1.3 million annually by 2004.

Providing a Window into SFA – Integrated Portal Views

In order to better serve our customers and to provide the consistent answers we all demand, we need to do a better job of managing our many web-based systems. We're committed to improving the way and the manner in which you can access our systems and applications.

We have more than 175 different web-access points, each committed to serving various portions of our customer base and each delivering services the best they can. But this disjointed approach often leads to confusion and redundancy. We've decided to clear the noise by coordinating our many Internet sites into consistent and integrated portal views focused on each of our core customers. These integrated portal views are part of an enterprise-wide portal strategy that puts a common face on our web presence and gives us one place on the web to access SFA's services.

Just like our consistent answers effort will seek to create a "One Call Does It All" telephone access system, our portal roll-out effort will seek to create a "One Place Gets It All" Internet access system. We'll provide our users with the means to access customer specific information and websites like our FAFSA on the Web, eCampus Based FISAP filing, IFAP, Front2Back on the Web, Electronic Financial Statements, Direct Loan Consolidations and many others via our integrated web portals. We'll also provide our FFEL community with the capability to access key lender and guaranty agency information directly from our web portal.

This is a major undertaking for us, but it's a very important one as we seek to provide our customers with access to applications and systems. We've made some progress to date. Our improved School Portal site went live in early 2001 and provides key information to our School Financial Aid Administrators via the IFAP application site. We'll build upon that success with a focused effort on our Students and Financial Partners views.

Making the Transition to that Future State – Operating as a High-Performing Organization

We've come a long way since last year and we're making good progress towards transforming our organization into a high performing organization. We're on the cutting edge of new technologies and we're implementing first-class services for our customers.

We are providing our customers with the possibility of operating in an entirely paperless environment. Our newly released FAFSA on the Web site provides the capability to more than double the number of on-line applications submitted this year. Our students are able to electronically sign their loan promissory notes and can now repay their loans via the Internet. Our new common origination and disbursement system will enable our over 6000+ schools to originate and disburse loans from one integrated, web enabled system.

We are also on plan to completely reform our customer service capabilities. We've consolidated the varied contracts that provided disparate service to our customers. This year we will release separate 1-800 numbers for our specific customer groups, thereby reducing the existing thirteen numbers to four. We will also implement a common suite of software tools that will provide our customer service representatives to utilize the same repository of information and be able to provide our customers with consistent answers all the time.

We have built and implemented the necessary financial controls that help to instill the fiscal integrity needed to restore the public's trust in our operations.

These critical achievements put us on the right footing for the "Phase 2 of Modernization". We will be taking a look at the virtualization of our business process and financial aid delivery supply chain while integrating our core technology capabilities into all of our critical systems. And we will continue to move forward to change the behavior of our customers to encourage them to accept the concept of interacting with us electronically.

Modernization Blueprint FY2002 v7 020802.doc